

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

| | Fourth Quarter | | Years Ended December 31, | |
|--|--|---------------|-------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | <i>(in millions, except per share amounts)</i> | | | |
| Railway operating revenues | | | | |
| Merchandise | \$ 1,671 | \$ 1,553 | \$ 6,669 | \$ 6,088 |
| Intermodal | 831 | 730 | 3,163 | 2,654 |
| Coal | 350 | 290 | 1,310 | 1,047 |
| Total railway operating revenues | <u>2,852</u> | <u>2,573</u> | <u>11,142</u> | <u>9,789</u> |
| Railway operating expenses | | | | |
| Compensation and benefits | 598 | 587 | 2,442 | 2,373 |
| Purchased services and rents | 472 | 426 | 1,726 | 1,687 |
| Fuel | 226 | 136 | 799 | 535 |
| Depreciation | 298 | 287 | 1,181 | 1,154 |
| Materials and other | 129 | 153 | 547 | 653 |
| Loss on asset disposal | — | — | — | 385 |
| Total railway operating expenses | <u>1,723</u> | <u>1,589</u> | <u>6,695</u> | <u>6,787</u> |
| Income from railway operations | 1,129 | 984 | 4,447 | 3,002 |
| Other income – net | 21 | 43 | 77 | 153 |
| Interest expense on debt | <u>165</u> | <u>160</u> | <u>646</u> | <u>625</u> |
| Income before income taxes | 985 | 867 | 3,878 | 2,530 |
| Income taxes | | | | |
| Current | 199 | 132 | 689 | 375 |
| Deferred | 26 | 64 | 184 | 142 |
| Total income taxes | <u>225</u> | <u>196</u> | <u>873</u> | <u>517</u> |
| Net income | <u>\$ 760</u> | <u>\$ 671</u> | <u>\$ 3,005</u> | <u>\$ 2,013</u> |
| Earnings per share – diluted | \$ 3.12 | \$ 2.64 | \$ 12.11 | \$ 7.84 |
| Weighted average shares outstanding – diluted | 243.5 | 254.7 | 248.1 | 256.6 |

See accompanying notes to consolidated financial statements

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

| | At December 31, | |
|--|------------------|-----------|
| | 2021 | 2020 |
| | (\$ in millions) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 839 | \$ 1,115 |
| Accounts receivable – net | 976 | 848 |
| Materials and supplies | 218 | 221 |
| Other current assets | 134 | 134 |
| Total current assets | 2,167 | 2,318 |
| Investments | 3,707 | 3,590 |
| Properties less accumulated depreciation of \$12,031 and \$11,985, respectively | 31,653 | 31,345 |
| Other assets | 966 | 709 |
| Total assets | \$ 38,493 | \$ 37,962 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,351 | \$ 1,016 |
| Income and other taxes | 305 | 263 |
| Other current liabilities | 312 | 302 |
| Current maturities of long-term debt | 553 | 579 |
| Total current liabilities | 2,521 | 2,160 |
| Long-term debt | 13,287 | 12,102 |
| Other liabilities | 1,879 | 1,987 |
| Deferred income taxes | 7,165 | 6,922 |
| Total liabilities | 24,852 | 23,171 |
| Stockholders' equity: | | |
| Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 240,162,790 and 252,095,082 shares, respectively, net of treasury shares | 242 | 254 |
| Additional paid-in capital | 2,215 | 2,248 |
| Accumulated other comprehensive loss | (402) | (594) |
| Retained income | 11,586 | 12,883 |
| Total stockholders' equity | 13,641 | 14,791 |
| Total liabilities and stockholders' equity | \$ 38,493 | \$ 37,962 |

See accompanying notes to consolidated financial statements

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

| | Years Ended December 31, | |
|--|---------------------------------|-----------------|
| | 2021 | 2020 |
| | <i>(\$ in millions)</i> | |
| Cash flows from operating activities | | |
| Net income | \$ 3,005 | \$ 2,013 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Depreciation | 1,181 | 1,154 |
| Deferred income taxes | 184 | 142 |
| Gains and losses on properties | (86) | (39) |
| Loss on asset disposal | — | 385 |
| Impairment of investment | — | 99 |
| Changes in assets and liabilities affecting operations: | | |
| Accounts receivable | (133) | 71 |
| Materials and supplies | 3 | 23 |
| Other current assets | (6) | 3 |
| Current liabilities other than debt | 283 | 34 |
| Other – net | (176) | (248) |
| Net cash provided by operating activities | <u>4,255</u> | <u>3,637</u> |
| Cash flows from investing activities | | |
| Property additions | (1,470) | (1,494) |
| Property sales and other transactions | 159 | 333 |
| Investment purchases | (10) | (13) |
| Investment sales and other transactions | 99 | (1) |
| Net cash used in investing activities | <u>(1,222)</u> | <u>(1,175)</u> |
| Cash flows from financing activities | | |
| Dividends | (1,028) | (960) |
| Common stock transactions | 17 | 69 |
| Purchase and retirement of common stock | (3,390) | (1,439) |
| Proceeds from borrowings – net of issuance costs | 1,676 | 784 |
| Debt repayments | (584) | (381) |
| Net cash used in financing activities | <u>(3,309)</u> | <u>(1,927)</u> |
| Net increase (decrease) in cash and cash equivalents | (276) | 535 |
| Cash and cash equivalents | | |
| At beginning of year | <u>1,115</u> | <u>580</u> |
| At end of year | <u>\$ 839</u> | <u>\$ 1,115</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the year for: | | |
| Interest (net of amounts capitalized) | \$ 579 | \$ 577 |
| Income taxes (net of refunds) | 654 | 311 |

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

1. Impairment of Investment

In 2020, we recorded an other-than-temporary impairment of \$99 million related to the carrying value of an equity method investment. This non-cash impairment charge is recorded in “Purchased services and rents” on the Consolidated Statement of Income and had a \$74 million impact on net income.

2. Loss on Asset Disposal

In 2020, we sold 703 locomotives deemed excess and no longer needed for railroad operations. We evaluated these locomotive retirements and concluded they were abnormal. Accordingly, we recorded a \$385 million loss to adjust their carrying amount to their estimated fair value, which resulted in a \$97 million tax benefit.

3. Stock Repurchase Program

We repurchased and retired 12.7 million and 7.4 million shares of common stock under our stock repurchase programs in 2021 and 2020, respectively, at a cost of \$3.4 billion and \$1.4 billion, respectively.